

Message Text

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PAGE 01 BUDAPE 03697 01 OF 02 180949Z

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 EB-07 NSC-05 CIAE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 L-03 COME-00 STR-04

OPIC-03 TRSE-00 TAR-01 OMB-01 XMB-02 CIEP-01 /072 W

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R 171408Z NOV 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 4674

INFO AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY VIENNA

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MUNICH FOR RFE

E.O. 11652: N/A

TAGS: EEWT, ETRD, BEXP, HU

SUBJ: FIRST JOINT SESSION OF HUNGARIAN/U.S. ECONOMIC COUNCIL

REF A: BUDAPEST 3629 (NOTAL)

B: STATE 263931 (NOTAL)

C: BUDAPEST 3647 (NOTAL)

BEGIN UNCLAS

1. SUMMARY: AT OPENING OF FIRST JOINT MEETING BOTH HUNGARIANS AND AMERICANS REFERRED TO "DISCRIMINATORY" PROVISIONS OF TITLE 4 OF 1974 TRADE ACT. HUNGARIAN DEPUTY PLANNING MINISTER DRECIN OUTLINED COMING FIVE-YEAR PLAN, EMPHASIZING U.S. COMMERCIAL POSSIBILITIES (SEPTTEL); OTHER HUNGARIAN PRESENTATIONS INCLUDED DISCUSSION HUNGARY'S FOREIGN TRADE STRUCTURE AND SUGGESTIONS FOR EXCHANGE OF COMMERCIAL INFORMATION. AMERICAN PRESENTATIONS INCLUDED PROSPECTS FOR U.S. ECONOMY, COMMENTS ON INTERNATIONAL FINANCIAL SCENE AND EXPERIENCES IN NEGOTIATING JOINT VENTURES IN SOCIALIST COUNTRIES. THE TWO

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PAGE 02 BUDAPE 03697 01 OF 02 180949Z

SIDES ENGAGED IN SUBSTANTIAL PRIVATE BUSINESS DISCUSSIONS,

BOTH AT OFFICIAL FUNCTIONS AND SOCIAL AFFAIRS. JOINT COUNCIL AGREED TO STUDY U.S. PROPOSALS FOR PRE-ARBITRATION PROCEDURES BEFORE NEXT MEETING IN WASHINGTON IN SEPT 1976, AND TO FURTHER EXPLORE POSSIBILITIES FOR INDUSTRIAL COOPERATION AGREEMENTS. THIS INAUGURAL SESSION BROUGHT TOGETHER VIRTUALLY ALL HUNGARIAN ORGANIZATIONS ACTIVE IN TRADING WITH U.S. AND A LARGE NUMBER OF U.S. COMPANIES DOING BUSINESS IN HUNGARY. THE JOINT MEETING WAS SUCCESSFUL IN FOCUSING ATTENTION OF HUNGARIANS AND AMERICANS ON EACH OTHERS' PROBLEMS AND NEEDS IN ATMOSPHERE WHERE DIRECT DIALOGUE POSSIBLE. END SUMMARY

2. REF A WAS USINFO CABLE PROVIDING GENERAL INFORMATION ON TWO-DAY MEETING IN BUDAPEST NOV 10-11 OF INAUGURAL SESSION OF HUNGARIAN/U.S. ECONOMIC COUNCIL; EMBASSY IS REPEATING CABLE TO MOSCOW, MUNICH AND VIENNA.

3. USG ATTENDEES AT OPENING WERE AMBASSADOR MCAULIFFE, ARNOLD WEISS, BEWT (WHO WAS IN BUDAPEST NOV 10-11 FOR TECHNICAL SALES SEMINAR) AND EMBASSY ECONOFF. IN WELCOMING ADDRESS HUNGARIAN CHAMBER PRESIDENT KALLOS NOTED LACK OF MFN FOR HUNGARY IS NOT ONLY A POLITICAL QUESTION BUT ALSO AN ECONOMIC PROBLEM. HE SAID HUNGARIAN TARIFF STRUCTURE IS MUCH AS THOSE IN THE WEST; AND COMMENTED ON USEFULNESS OF MEETING BETWEEN SECRETARY OF COMMERCE MORTON IN SEPT AND 17 HUNGARIAN BUSINESS LEADERS. IN REPLY CHAIRMAN OF U.S. DELEGATION CARTER SAID THAT THERE IS GROWING RECOGNITION IN THE U.S. THAT PROVISIONS OF TITLE 4 OF THE TRADE ACT OF 1974 HAVE NOT ACCOMPLISHED INTENDED OBJECTIVES. CARTER CONTINUED THAT NOTWITHSTANDING TITLE 4, HUNGARIANS HAVE SHOWN THEIR DESIRE TO EXPAND COMMERCIAL RELATIONS, THROUGH CONTINUED FUNCTIONING OF NEW ECONOMIC MECHANISM, DECREE ALLOWING WESTERN FIRMS TO OPEN OFFICES IN HUNGARY AND RECENT MAGYAR EFFORTS TO SETTLE OUTSTANDING BILATERAL FINANCIAL CLAIMS.

4. CARTER NOTED U.S. LEGAL RESTRICTIONS ON AMERICAN SIDE'S TRADE PROMOTION ACTIVITIES, BUT SAID JOINT COUNCIL COULD ACT AS CATALYTIC AGENT. HE POINTED OUT THAT U.S. SECTION CHARGED MODEST DUES IN ORDER TO ENCOURAGE MODEST-SIZED LIMITED OFFICIAL USE

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PAGE 03 BUDAPE 03697 01 OF 02 180949Z

COMPANIES WHICH FREQUENTLY HAVE TECHNOLOGY WHICH HUNGARIANS DESIRE. AMERICANS, HE ADDED, ARE BECOMING MORE INTERESTED IN PURSUING INDUSTRIAL COOPERATION AGREEMENTS.

5. AMBASSADOR MCAULIFFE THEN MADE BRIEF COMMENTS, AND READ MESSAGE TO JOINT MEETING FROM SECRETARY OF COMMERCE MORTON (REF B).

6. LEAD-OFF SPEAKER NOV 10 WAS DEPUTY PLANNING MINISTER JOZSEF DRECIN WHO DISCUSSED 1975-1985 YEAR PLAN IN GENERAL TERMS (SEPTTEL FOLLOWS).

7. ON U.S. SIDE REPRESENTATIVES OF GENERAL MOTORS (NEWTON) AND FIRST NATIONAL CITY BANK (BRUNST) DISCUSSED U.S. ECONOMIC SITUATION, CURRENT FINANCIAL POLICY AND CURRENT INTERNATIONAL FINANCIAL MARKETS, ESPECIALLY AS THEY APPLY TO HUNGARY. ROBERT JOHNSON OF UOP FOLLOWED WITH DESCRIPTION OF BUSINESS COMMUNITY'S EFFORTS TO ALTER TERMS OF 1974 TRADE BILL AND LAJOS SCHMIDT (BAKER AND MCKENZIE) NOTED RECENT ANTI-DUMPING CASES IN THE UNITED STATES.

8. AFTERNOON NOV 10 SELECTED MEMBERS OF U.S. DELEGATION MET WITH JANOS FEKETE, VICE-PRESIDENT OF HUNGARIAN NATIONAL BANK, AND FOREIGN TRADE MINISTER BIRO.

9. KALLOS HOSTED VERY SMALL LUNCHEO; AFTERNOON WAS FREE FOR PRIVATE CONTACTS AND EVENING NOV 10 AMBASSADOR MCAULIFFE GAVE RECEPTION ATTENDED BY ALMOST 190 PEOPLE, ONE OF MOST PRODUCTIVE SUCH AFFAIRS IN BUDAPEST IN RECENT TIMES IN INTRODUCING HUNGARIANS AND AMERICANS.

10. MORNING NOV 11 DEPUTY FOREIGN TRADE MINISTER GYULA KOVACS DESCRIBED HUNGARY'S FOREIGN TRADE STRUCTURE AND CURRENT COMMERCIAL TIES WITH WESTERN FIRMS. HE, AS HAD DEPUTY PLANNING MINISTER PRECEDING DAY, MENTIONED SOME SPECIFIC SECTORS OF POSSIBLE INTEREST TO U.S. COMPANIES (SEE SEPTTEL).

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PAGE 01 BUDAPE 03697 02 OF 02 180954Z

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TO SECSTATE WASHDC 4675

INFO AMEMBASSY MOSCOW
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11. ON U.S. SIDE, LAJOS SCHMIDT DISCUSSED ACTUAL EXPERIENCES IN NEGOTIATING JOINT VENTURES; HUNGARIANS FOLLOWED BY OUTLINING SOME IDEAS FOR IMPROVING EXCHANGE OF INFORMATION BETWEEN AMERICAN AND HUNGARIAN FIRMS. DISCUSSION OF PRE-ARBITRAL CONCILIATION PROCEDURES WAS CUT SHORT DUE TO LACK OF TIME.

12. DURING MORNING BREAK CONTRACT SIGNED BETWEEN GENERAL MOTORS AND MOGURT IN ADJOINING ROOM (REF C).

13. TWO SIDES SET UP WORKING GROUP TO DISCUSS PRE-ARBITRATION PROCEDURES AND AGREED TO MEET AGAIN SEPT 27, 1976 IN WASHINGTON. AFTERNOON WAS AGAIN FREE FOR PRIVATE MEETINGS; EVENING NOV 11 HUNGARIAN CHAMBER OF COMMERCE PRESIDENT KALLOS HOSTED RECEPTION.

14. WEDNESDAY NOV 12 ABOUT 16 AMERICAN PARTICIPANTS VISITED BABOLNA STATE FARM.

15. U.S. DELEGATION'S BRIEFING BOOK FOR CONFERENCE CON-
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PAGE 02 BUDAPE 03697 02 OF 02 180954Z

TAINED SCHEDULE, AGREEMENTS, EXCERPTS HUNGARIAN LAWS, EXCELLENT PAPERS ON NEW ECONOMIC MECHANISM AND HUNGARY'S INDUSTRIAL COOPERATION AGREEMENTS BY ACADEMICS, AND SEVERAL ARTICLES ON HUNGARIAN/AMERICAN COMMERCIAL RELATIONS BY BEWT. ONE BRIEFING BOOK HAND-CARRIED TO WASHINGTON BY WEISS. EMBASSY RECOMMENDS EUR/EE OBTAIN COPY. END UNCLASS

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16. COMMENT: FIRST JOINT MEETING WAS ROUSING SUCCESS. ALMOST ALL ON U.S. SIDE USED OPPORTUNITY TO DISCUSS BUSINESS AND SEVERAL NEW VENTURES WERE FINALIZED OR INITIALED. THE AMERICANS FOUND THAT THE EXCHANGE OF INFORMATION AMONG THEMSELVES WAS MOST USEFUL. IN ADDITION, THE OCCASION PROVIDED THE EMBASSY WITH AN EXCELLENT OPPORTUNITY TO DISCUSS TOPICAL SUBJECTS WITH HUNGARIANS -- AND AMERICANS, NOT ALL OF WHOM REGULARLY KEEP EMBASSY INFORMED. AS ONE SENIOR U.S. EXECUTIVE NOTED, IT WAS MOST IMPORTANT THAT THE HUNGARIANS THOUGHT THE SESSION

SUCCESSFUL. THEY DID. EMBASSY BELIEVES U.S. CHAIRMAN
CARTER AND OTHER HIGH-LEVEL BUSINESSMEN HELPED TO ALLAY
HUNGARIAN CHAMBER OF COMMERCE PRESIDENT KALLOS' CONCERNS
ABOUT THE LEVEL OF U.S. REPRESENTATION AND THE SERIOUSNESS
OF THE U.S. SIDE. SIGNING OF GENERAL MOTORS CONTRACT
(REF C) ADDED FILLIP TO FINAL DAY'S ACTIVITIES. END
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MCAULIFFE

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